

# **FISCAL NOTE**

## **SB 524 - HB 825**

March 17, 2003

### **SUMMARY OF BILL:**

- Defines broadband service.
- States that the general assembly finds that broadband services are competitive and therefore competition is an effective regulator of pricing within the industry.
- States that the general assembly finds that parity in the regulation of broadband services promotes faster deployment of service to areas within Tennessee.
- Declares that broadband services are not telecommunications services.
- States that no agency of the state shall impose any requirement upon a provider of broadband access with respect to the facilities or equipment used, or the rates, terms or conditions for entry as a provider unless such regulations are imposed equally and uniformly upon all providers.

### **ESTIMATED FISCAL IMPACT:**

**Increase State Expenditures - Not Significant**  
**Decrease State Revenues - \$4,200,000**

**Decrease Local Govt. Revenues - \$1,440,000**

Estimate assumes:

- Removing broadband services from the definition of telecommunications services will exempt them from state and local sales taxes as the bill is currently written, as well as exempting them from regulation by the Tennessee Regulatory Authority.
- Approximately \$60,000,000 worth of broadband services are sold to taxable entities within the state.
- These services are taxed by the state at 7% and by local governments at an average of 2.4%.
- The decrease in state government revenue is calculated as  $\$60,000,000 \times 7\% = \$4,200,000$ .
- The decrease in local government revenue is calculated as  $\$60,000,000 \times 2.4\% = \$1,440,000$ .

### **CERTIFICATION:**

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James A. Davenport, Executive Director

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